

**UNREGULATED UTILITY
POWER COST EQUALIZATION MEMORANDUM**

Date: February 17, 2022

Filing Date Due: April 30, 2021

File No.: PC26 0421

Date Filed: April 15, 2021

Name of Utility: Chitina Electric, Inc. Cert. No. 368

- | | |
|---|---|
| <input checked="" type="checkbox"/> Annual Update | <input type="checkbox"/> COPA Review |
| <input checked="" type="checkbox"/> Fuel Price Change | <input type="checkbox"/> Non Fuel Cost Change |
| <input checked="" type="checkbox"/> Rate Change | <input type="checkbox"/> kWh Sales Change |
| <input type="checkbox"/> Other _____ | |

STAFF RECOMMENDATIONS: Approval of updated Permanent PCE amounts (see attached memo)

PCE AMOUNT SUMMARY	Previously Approved	Staff Recommended
PCE AMOUNT (In Cents/kWh)	<u>Date Approved:</u> January 21, 2022	
Residential	35.69¢	43.43¢
Community Facilities 0-8,750 kWh	35.69¢	43.43¢
Community Facilities over 8,750 kWh	35.69¢	43.43¢

Signed: Brenda Cox Brenda Cox Utility Financial Analyst

Commission decision re. this recommendation:

	Date (if different from 2/17/22)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
Kurber	_____	<u>KAT</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>JWW</u>	_____	_____

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement, otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Robert M. Pickett, Chairman
Keith Kurber II
Antony G. Scott
Daniel A. Sullivan
Janis Wilson

DATE: February 17, 2022

FROM: Brenda Cox
Utility Financial Analyst

RE: Chitina Electric, Inc.
PC26-0421

Recommendations

1. Updated PCE amounts should be effective for billings rendered on or after February 18, 2022.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, rate changes and fuel cost updates should be included in the By Direction Letter to the utility.

Background

On April 15, 2021, Chitina Electric, Inc. (CEI) filed its 2020 annual Power Cost Equalization (PCE) report (annual report), for the test year ending December 31, 2020. CEI included a Trial Balance and Chitina Native Corporation and Subsidiaries Consolidated Finance Statements with the annual report. On January 20, 2022, CEI filed its Non-Regulated Fuel and Purchased Power Cost Report Form (fuel report) and a Rate Change. CEI filed several supplements.¹ Staff's contact for this filing Ms. Lonita Lohse, Office Manager and Elena Begojevic, CPA.

Summary

After Staff proposed adjustments, CEI's total costs per kiloWatt-hour (kWh) have increased by 8.14¢/kWh from 57.60¢/kWh to 65.74¢/kWh (FY20). CEI's reported fuel efficiency decreased from 12.13 kWh/gallon (FY15) to 11.26 kWh/gallon (FY20). CEI's reported line loss decreased from 8.04% (FY15) to 5.38% (FY20). Staff's detailed analysis of this filing follows:

¹ Supplements filed January 14, 18, 2022 and February 4, 2022.

Analysis

Non-Fuel Costs

Total reported non-fuel costs increased \$64,404 from \$96,409 (FY15) to \$160,813 (FY20). Staff verified the Income Statement with the Trial Balance filed with the annual report. Staff reviewed CEI's non-fuel costs by category noting the following (see Schedule BKC-1):

Personnel Expenses increased \$43,875 from \$45,760 (FY15) to \$89,635 (FY20). Staff verified the amounts reported on the Income Statement with the Trial Balance and recommends no adjustments.

Operating Expenses increased \$14,627 from \$21,392 (FY15) to \$36,019 (FY20). Staff noted account 6102520 – Parts in the amount of \$17,235 and account 6104220 – Maintenance Supplies in the amount of \$5,387 on the Trial Balance. Staff requested CEI provide a Detailed Transaction Report for each of these accounts and CEI provided the reports.² Staff noted in account 6102520 – Parts, among other things were parts for a generator and a radiator. Staff asked CEI if these were part of the assets added to the depreciation schedule. CEI advised none of these items were capitalized.³ CEI also provided a report for account 6104120 – Maintenance Supplies which Staff reviewed, and all the purchases appear to be usual maintenance items such as ear plugs, lumber, silicone, and shop towels. Staff recommends no adjustments.

General & Administrative Expenses (G&A) decreased \$6,901 from \$29,060 (FY15) to \$22,159 (FY20). Staff noted account 7359020 – Bad Debt Expense in the amount of \$5,707 on the Trial Balance and requested CEI provide a Detailed Transaction Report. CEI provided the report which shows each customer account being written off.⁴ Staff recommends no adjustments.

Depreciation Expense increased \$12,803 from \$197 (FY15) to \$13,000 (FY20). Staff compared CEI's depreciation schedule with the schedule Staff maintains and noted assets added since the last time an annual report was reviewed.⁵ Staff added the assets and calculated depreciation expense to be \$23,620. Staff notes CEI calculates

² See Supplement filed January 14, 2022.

³ See Supplement filed February 4, 2022.

⁴ See Supplement filed January 14, 2022.

⁵ PC26-0416, Letter Order L1600488, dated October 21, 2016.

depreciation expense on a quarterly basis whereas Staff calculates it on an annual basis for the calculation of PCE. Therefore, Staff recommends **Adjustment 1 (Appendix 2)** to increase reported Depreciation Expense of \$13,000 by \$10,620 to equal \$23,620 (see Schedule BKC-2).

Interest Expense remained at \$0. Staff recommends no adjustments.

Reduction to Non-Fuel Costs

Paycheck Protection Program (PPP) Loan Forgiveness:

Staff reviewed Chitina Native Corporation and Subsidiaries consolidated Financial Statements and Supplementary Information for the years ended December 31, 2020, and 2019. Staff noted in Note 6 a reference to a Payroll Protection Program (PPP) in the amount of \$161,245. Staff also noted in Note 12 a reference that the PPP loan forgiveness was approved by the SBA. These financial statements are for the whole Chitina Native Corporation not just CEI. Staff asked CEI if it received any CARES money and if so, what was it used for. CEI advised in 2020 it applied for a PPP loan in the amount of \$70,187.33 and in 2021, the loan was forgiven. CEI used the funds for payroll expenses.⁶ Because CEI did not have to pay the loan back the \$70,187 is not a cost to CEI and Staff recommends decreasing the non-fuel costs by this amount.

It is unknown at this time if these loans will continue in the future or if CEI will apply for them if they do continue. Because of this, Staff intends to review the next annual report filed that does not include the PPP loan forgiveness. Therefore, Staff recommends **Adjustment 2 (Appendix 2)** to decrease reported Non-fuel Costs by \$70,187.

Fuel Costs

CEI submitted its most recent fuel report on January 20, 2022. The fuel report shows 4,291.7 gallons purchased on January 13, 2022, with a cost of \$3.577/gallon. Staff notes CEI included the State motor fuel tax of \$0.08/gallon in its cost per gallon. Staff removed the motor fuel tax from the amount reported to equal \$3.4970/gallon⁷ which is used on Appendix 2 to calculate the PCE amount. Staff removed it because fuel used by power plants for power generation are exempt and entitled to a refund of the motor fuel tax paid. (AS 43.40.015(d)(1), AS 43.40.030(d), and AS 43.40.100(C))

⁶ See Supplement filed January 18, 2022.

⁷ \$3.577 - \$0.08 = \$3.4970.

Rate Change

On January 20, 2022, CEI filed a rate change which will be effective March 1, 2022. Below are the per kWh changes in the rates:

- Residential increased from \$0.7000 to \$0.8000
- Community Facilities 0 to 6,790 kWhs increased from \$0.7500 to \$0.8000
- Community Facilities over 6,790 kWhs increased from \$0.7500 to \$0.8000

Staff updated Appendix 3 with the new rates.

CHITINA ELECTRIC INC

POWER COST EQUALIZATION CALCULATION
 BASED ON TEST PERIOD ENDING DECEMBER 31, 2020
 Annual Update, Fuel Report, and Rate Change

	PC26-0416PP	PC26-0421
	Prior Commission Approval	Utility Request Staff Recommended
A. Total KWH Generated	458,762	421,494
B. Total KWH Sold (Appendix 2)	383,796	353,131
C. Total Non-Fuel Costs (Appendix 2)	96,409	101,246
D. Non-Fuel Cost/KWH (C / B)	\$0.2512	\$0.4554
E. Total Fuel Costs (Appendix 2)	124,643	130,917
F. Fuel Costs/KWH (E / B)	\$0.3248	\$0.3707
G. Eligible Costs/KWH (D + F)	\$0.5760	\$0.8261
H. Eligible Cost/KWH (G) less base rate in effect	\$0.3757	\$0.6258
I. Lesser of (H) or 79.97 cents/kWh	\$0.3757	\$0.4571
J. Average Class Rates (Appendix 3)		
Residential	\$0.4997	\$0.5997
Community Facilities First 8,120 kWh	\$0.5497	\$0.5997
Community Facilities Over 8,120 kWh	\$0.5497	\$0.5997
	Class Power Cost Equalization Per kWh Payable	
K. Lesser of: (I) x 95%, or (J)		
Residential	\$0.3569	\$0.5945
Community Facilities First 8,120 kWh	\$0.3569	\$0.5945
Community Facilities Over 8,120 kWh	\$0.3569	\$0.5945
L. Funding Level in Effect	100%	100%
Residential	\$0.3569	\$0.5945
Community Facilities First 8,120 kWh	\$0.3569	\$0.5945
Community Facilities Over 8,120 kWh	\$0.3569	\$0.4343

CHITINA ELECTRIC INC

SCHEDULE OF ELIGIBLE POWER COSTS, SALES AND EFFICIENCY
 BASED ON TEST PERIOD ENDING DECEMBER 31, 2020
 Annual Update, Fuel Report, and Rate Change

		PC26-0416PP		PC26-0421	
Non-Fuel Costs:		Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
A.	Personnel Costs	45,760	89,635	0	89,635
B.	Operating Expenses	21,392	36,019	0	36,019
C.	General and Administrative	29,060	22,159	0	22,159
D.	Depreciation	197	13,000	Adj.#1 10,620	23,620
E.	Interest Expense	0	0	0	0
F.	Reduction to Non-Fuel Costs			Adj.#2 (70,187)	(70,187)
G.	Total Non-Fuel Costs	\$ 96,409	\$ 160,813	\$ (59,567)	\$ 101,246
Fuel Costs:					
H.	Gallons Consumed for Electric Generation	37,805	37,437	0	37,437
I.	Most Recent Purchase	\$3.4970	\$ 3.4970		\$ 3.4970
	1/13/2022	\$3.2970			
J.	Total Fuel Cost	\$ 124,643	\$ 130,917	\$ -	\$ 130,917
K.	kWh Generated	458,762	421,494	0	421,494
L.	kWh Sales	383,796	353,131		353,131
M.	kwh Station Service	38,091	45,681		45,681
N.	Efficiency (J /G)	Standard ≥ 10.5	12.13	11.26	0
O.	Line Loss	≤ 12%	8.04%	5.38%	5.38%
(kWh generated - (kWh Sold + Station Service))/kWh generated					

PC26-0421
 Appendix 2

CHITINA ELECTRIC INC.

AVERAGE RATE CALCULATION

Appendix 3

Calculation of Average Class Rate per kWh

Rate Schedule: Residential

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - 0.2003 kWh
500	0.8000	0.0000	0.8000	400.00	0.8000	0.5997
500				400.00	0.8000	0.5997
TOTAL (A)						(E)

Rate Schedule: Community Facilities

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - 0.2003 kWh
6,790	0.8000	0.0000	0.8000	5,432.00	0.8000	0.5997
Over 6,790	0.8000	0.0000	0.8000			0.5997
TOTAL (A)						(E)

CHITINA ELECTRIC, INC

Trend Analysis

	2015 Amended Expenses	Utility Filing	2020 Variance		Staff Adjustments	Amended Expenses
			\$	%		
Personnel Expenses						
Total Compensation	39,528	76,760	37,232	94.19%		76,760
Employer Portion of Payroll Taxes	4,004	6,380	2,376	59.34%		6,380
Workers Compensation Insurance	2,228	6,495	4,267	191.52%		6,495
Total Personnel Expenses	45,760	89,635	43,875	95.88%	0	89,635
Operating Expenses						
Generator Oil	3,262	2,079	(1,183)	(36.27%)		2,079
Generator Filters	1,183	2,185	1,002	84.70%		2,185
Generator Repairs/Maintenance	11,112	17,650	6,538	58.84%		17,650
Tools	173	1,043	870	502.89%		1,043
Equipment Rental	650	1,115	465	71.54%		1,115
Other:	5,012	11,947	6,935	138.37%		11,947
Total Operating Expenses	21,392	36,019	14,627	68.38%	0	36,019
General and Administrative						
Outside Professional Services:	9,945	1,563	(8,382)	(84.28%)		1,563
Insurance	3,110	595	(2,515)	(80.87%)		595
Office Supplies	1,533	1,712	179	11.68%		1,712
Postage	361	634	273	75.62%		634
Office Rent & Fees	2,400	2,400	0	100.00%		2,400
Travel	7,053	2,576	(4,477)	(63.48%)		2,576
Training	151	0	(151)	(100.00%)		0
Bad Debt Expense	0	5,707	5,707	100.00%		5,707
RCA Fees	524	234	(290)	(55.34%)		234
Telephone	761	1,771	1,010	132.72%		1,771
Other:	3,222	4,967	1,745	54.17%		4,967
Total General and Administrative	29,060	22,159	(6,901)	(23.75%)	0	22,159
Depreciation	197	13,000	12,803	6498.98%	10,620	23,620
Interest Expense	0	0	0	0	0	0
Paycheck Protection Program 2020					(70,187)	(70,187)
TOTAL	96,409	160,813	64,404	66.80%	(59,567)	101,246
kwh Generated	458,762	421,494	(37,268)	(8.12%)	0	421,494
kwh Sold	383,796	353,131	(30,665)	(7.99%)	0	353,131
kwh Station Service	38,091	45,681	7,590	19.93%	0	45,681
Gallons Consumed	37,805	37,437	(368)	(0.97%)	0	37,437
Efficiency	12.13	11.26	(0.88)	(7.22%)	0	11.26
Line Loss	8.04%	5.38%	-2.66%	(33.05%)		5.38%

PC26-0421
Schedule BKC-1

CHITINA ELECTRIC, INC.

BASED ON TEST PERIOD ENDING DECEMBER 31, 2020
SCHEDULE OF DEPRECIATION

<u>Description:</u>	<u>PIS YR</u>	<u>Cost/Basis</u>	<u>Life</u>	<u>A/D</u> <u>2019</u>	<u>Depreciation</u> <u>2020</u>	<u>A/D</u> <u>2020</u>	<u>Book</u> <u>Value</u>
1996 Bucket Truck	2020	27,661	5	-	5,532	5,532	22,129
1992 Heavy Duty Equipment Trailer	2020	4,000	5	-	800	800	3,200
117 KW Stamford 12 volt DC Electric	2017	10,000	7	4,286	1,429	5,715	4,285
Block Engine	2019	16,888	7	2,413	2,413	4,826	12,062
Mesbi Radiator & Additional Replacement	2020	15,712	7	-	2,245	2,245	13,467
2 Generators for CEI Backup	2020	78,406	7	-	11,201	11,201	67,205
Total Depreciation Expense		152,667		6,699	23,620	30,319	122,348
Utility Reported					13,000		
Staff Recommended Adjustment					10,620		

Signature: 

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